

**REPORT OF THE AUDIT OF THE  
BOONE COUNTY  
CLERK**

**For The Year Ended  
December 31, 2003**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE BOONE COUNTY CLERK**

**For The Year Ended  
December 31, 2003**

The Auditor of Public Accounts has completed the Boone County Clerk's audit for the year ended December 31, 2003. Based upon the audit work performed, the financial statements present fairly in all material respects, the revenues and expenditures of the County Clerk and the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer in conformity with the regulatory basis of accounting described in Note 1.

#### **Financial Condition:**

Net revenues totaling \$2,098,358 were deposited in the 75% fund and net revenues totaling \$672,087 were deposited into the 25% fund as of December 31, 2003.

The financial statement of the Boone County Clerk's 75% fund reflects a zero beginning balance, receipts of \$2,098,358, and disbursements of \$1,847,356 resulting in a fund balance of \$251,002 as of December 31, 2003. The 25% county government fund had receipts and disbursements of \$672,087 resulting in a zero fund balance as of December 31, 2003.

#### **Leases:**

Commitments to the following lease agreements as of December 31, 2003 are:

<u>Item Purchased</u>	<u>Monthly Payment</u>	<u>Beginning Date</u>	<u>Ending Date</u>	<u>Principal and Interest Balance December 31, 2003</u>
Software Licenses	\$ 3,948	2/15/03	5/14/06	\$ 110,544
Computer Hardware	16,928	2/15/03	5/14/06	473,984
Totals	<u>\$ 20,876</u>			<u>\$ 584,528</u>

#### **Deposits:**

The County Clerk's deposits were insured and collateralized by bank securities or bonds.



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Gary W. Moore, County Judge/Executive  
The Honorable Marilyn K. Rouse, Boone County Clerk  
Members of the Boone County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues and expenditures - regulatory basis of the County Clerk of Boone County, Kentucky, and the statement of revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer - regulatory basis for the year ended December 31, 2003. These financial statements are the responsibility of the County Clerk. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk prepares the financial statements on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues, expenditures, and fund balances of the County Clerk's operating fund and county fund with the State Treasurer for the year ended December 31, 2003, in conformity with the regulatory basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated July 23, 2004, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



The Honorable Gary W. Moore, County Judge/Executive  
The Honorable Marilyn K. Rouse, Boone County Clerk  
Members of the Boone County Fiscal Court

This report is intended solely for the information and use of the County Clerk and Fiscal Court of Boone County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
July 23, 2004



BOONE COUNTY  
MARILYN K. ROUSE, COUNTY CLERK  
STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS

For The Year Ended December 31, 2003

Revenues

State Grant (Note 5)		\$	92
State Fees For Services			29,363
Fiscal Court			20,284
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	2,422,325	
Usage Tax		13,750,301	
Tangible Personal Property Tax		8,138,063	
Licenses-			
Marriage		25,288	
Beer and Liquor		60,251	
Deed Transfer Tax		975,920	
Delinquent Taxes		970,894	26,343,042
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	86,470	
Real Estate Mortgages		617,895	
Chattel Mortgages and Financing Statements		386,015	
Powers of Attorney		5,375	
Notary		11,112	
All Other Recordings		197,650	
Charges for Other Services-			
Candidate Filing Fees		220	
Copywork		50,054	
Postage		11,184	
Miscellaneous		42,046	1,408,021
Interest Earned			4,854
Total Revenues		\$	27,805,656

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY  
 MARILYN K. ROUSE, COUNTY CLERK  
 STATEMENT OF REVENUES AND EXPENDITURES - REGULATORY BASIS  
 For The Year Ended December 31, 2003  
 (Continued)

Expenditures

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 1,850,252

Usage Tax 13,331,924

Tangible Personal Property Tax 2,972,642

Licenses, Taxes, and Fees-

Delinquent Tax 133,847

Legal Process Tax 131,664

Candidate Filing Fees 120 \$ 18,420,449

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 900,060

Delinquent Tax 89,710

Deed Transfer Tax 927,124

Beer and Liquor Licenses 57,110 1,974,004

Payments to Other Districts:

Tangible Personal Property Tax \$ 3,938,929

Delinquent Tax 538,398 4,477,327

Payments to Sheriff

4,271

Payments to County Attorney

131,814

Operating Expenditures:

Library and Archives Grant (Note 5) 92

Other Charges-

Bank Service Charges \$ 20,945

Miscellaneous 6,309 27,254

Total Allowable Expenditures

\$ 25,035,211

Net Revenues

\$ 2,770,445

Payments to State Treasurer:

75% Operating Fund \$ 2,098,358

25% County Fund 672,087 2,770,445

Balance Due at Completion of Audit

\$ 0

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY  
MARILYN K. ROUSE, COUNTY CLERK  
STATEMENT OF REVENUES, EXPENDITURES, AND  
FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS

For The Year Ended December 31, 2003

	75% Operating Fund	25% County Fund	Totals
Fund Balance - January 1, 2003	\$	\$	\$
<u>Revenues</u>			
Fees Paid to State - Operating Funds (75% )	2,098,358		2,098,358
Fees Paid to State - County Funds (25% )		672,087	672,087
Total Funds Available	<u>\$ 2,098,358</u>	<u>\$ 672,087</u>	<u>\$ 2,770,445</u>
<u>Expenditures</u>			
Boone County Fiscal Court	\$	\$ 672,087	\$ 672,087
Personal Services-			
Official's Statutory Maximum	86,522		86,522
Official's Training Incentive	3,036		3,036
Official's Expense Allowance	3,600		3,600
Deputies' Salaries	878,676		878,676
Part-Time Salaries	47,155		47,155
Overtime	12,214		12,214
Employee Benefits-			
Employer's Share Social Security	73,624		73,624
Employer's Share Retirement	65,772		65,772
Employer's Paid Health Insurance	173,614		173,614
Contracted Services-			
Microfilming	131,000		131,000
Materials and Supplies-			
Office Supplies	29,757		29,757

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY  
 MARILYN K. ROUSE, COUNTY CLERK  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 FUND BALANCES OF THE COUNTY CLERK'S OPERATING FUND  
 AND COUNTY FUND WITH THE STATE TREASURER - REGULATORY BASIS  
 For The Year Ended December 31, 2003  
 (Continued)

	75% Operating Fund	25% County Fund	Totals
<u>Expenditures</u> (Continued)			
Other Charges			
Conventions and Travel	\$ 4,159	\$	\$ 4,159
Dues	3,970		3,970
Postage	27,181		27,181
Election Expense	1,366		1,366
Maintenance and Repairs	1,627		1,627
Office Furnishings	6,124		6,124
Office Renovation/Upkeep	3,306		3,306
Indexing Books, Maps	28,935		28,935
Preparing Tax Bills	10,784		10,784
Insurance	680		680
Miscellaneous	16,979		16,979
Debt Service:			
Lease Purchases - Computer Equipment	237,275		237,275
Total Expenditures	\$ 1,847,356	\$ 672,087	\$ 2,519,443
Fund Balance - December 31, 2003	\$ 251,002	\$ 0	\$ 251,002

The accompanying notes are an integral part of the financial statements.

BOONE COUNTY  
MARILYN K. ROUSE, COUNTY CLERK  
NOTES TO FINANCIAL STATEMENTS

December 31, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount due from the County Clerk as determined by the audit.

KRS 64.350 establishes that a fee official in counties with a population over 70,000 has two funds with the State Treasurer for the deposit of fees collected. Seventy-five percent (75%) of the fees collected is deposited in a County Clerk's operating fund and used for office expenses of the fee official. The remaining twenty-five percent (25%) of fees collected is deposited to the county fiscal court fund and paid to the fiscal courts, urban-county governments, or consolidated local governments of the respective counties quarterly no later than April 15, July 15, October 15, and January 15. These funds are closed at the end of each official term by paying the balances to the respective county government.

The financial statements have been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting, revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive), at December 31:

- Interest receivable
- Collection on accounts due from others for 2003 services
- Reimbursements for 2003 activities
- Payments due other governmental entities for December tax and fee collections
- Payroll expenditures incurred but not paid
- Payments due vendors for goods or services provided in 2003

The Attorney General issued a letter which stated that some revenues of the fee official offices could be considered reimbursed expenses. All reimbursed expenses are recognized as revenues in the 75 percent fund.

BOONE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2003  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent for the first six months and 7.34 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2003, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name, or provided surety bonds which named the County Clerk as beneficiary/obligee on the bonds.

BOONE COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2003  
 (Continued)

Note 4. Leases

Commitments to the following lease agreements as of December 31, 2003 are:

Item Purchased	Monthly Payment	Beginning Date	Ending Date	Principal and Interest Balance December 31, 2003
Software Licenses	\$ 3,948	2/15/03	5/14/06	\$ 110,544
Computer Hardware	<u>16,928</u>	2/15/03	5/14/06	<u>473,984</u>
Totals	<u>\$ 20,876</u>			<u>\$ 584,528</u>

The above lease agreements represent a consolidation or revision of several agreements from the prior year and addendums that were entered into during the calendar year 2003. There is no interest balance on the lease for software licenses.

Note 5. Library and Archives Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$24,708. The unexpended grant balance as of January 1, 2003 was \$97. The grant account earned less than \$1 in interest during calendar year 2003. Funds totaling \$92 were expended during calendar year 2003, leaving an unexpended grant balance of \$6 as of December 31, 2003.

Note 6. Mechanic's Lien Account

On September 3, 2003 the County Clerk opened up a bank account for mechanic's liens with a deposit of \$450. When a mechanic's lien is filed, funds can be deposited into this account until the dispute has been settled. No funds were expended during 2003 leaving an unexpended balance as of \$450 at December 31, 2003.

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Gary W. Moore, County Judge/Executive  
The Honorable Marilyn K. Rouse, Boone County Clerk  
Members of the Boone County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements - regulatory basis of the Boone County Clerk for the year ended December 31, 2003, and have issued our report thereon dated July 23, 2004. This was a special report on the County Clerk's financial statements prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Boone County Clerk's financial statements as of December 31, 2003, are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boone County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
July 23, 2004

